MAY 1989

OREGON LABOR TRENDS

State of Oregon • Employment Division • Department of Human Resources

INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)

Apr	1989	5.4
Mar	1989	5.6
Apr	1988	6.1

United States (Seas. Adj.)

Apr	1989	5.3
Mar	1989	5.0
Apr	1988	5.5

WAGE AND SALARY EMPLOYMENT INDEX

Oregon (1977 = 100)

Apr	1989	126.8
Mar	1989	126.9
Feb	1989	126.4
Jan	1989	126.5
Dec	1988	125.7

PRODUCTION WORKER AVERAGE HOURLY EARNINGS

Oregon

Mar	1989	$10.77
Feb	1989	$10.75
Mar	1988	$10.70

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon

Mar	1989	39.3
Feb	1989	38.0
Mar	1988	39.0

CONSUMER PRICE INDEX (CPI)

1982-84 = 100

ALL URBAN CONSUMERS

Portland-Vancouver

July-Dec. 1988	115.9
Yearly change	3.6%
Annual Average 1988	114.7
Yearly change	3.4%

United States

Apr. 1989	123.1
Yearly change	5.1%
Annual Average 1988	118.3
Yearly change	4.1%

Portland Hotline 221-4132

CONSTRUCTION BOOMS DESPITE STAGNATING ECONOMY

Jan Cranny

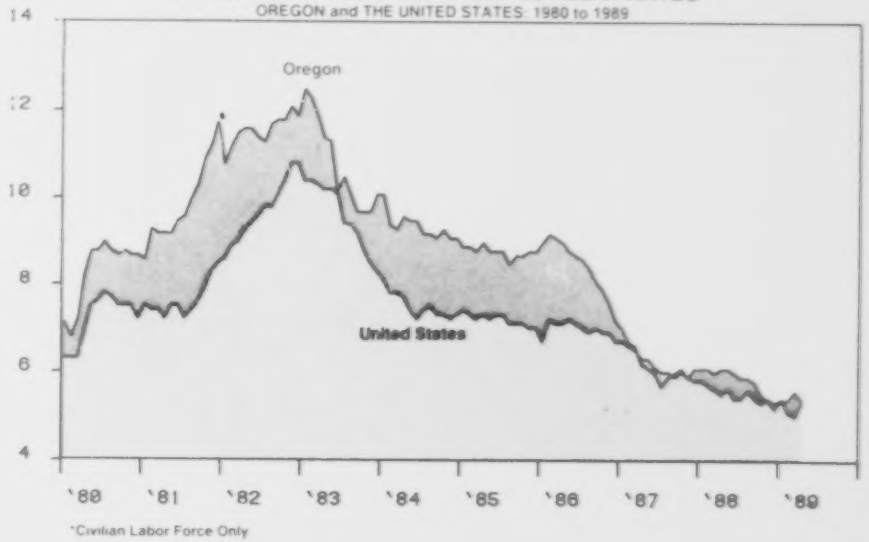
Oregon employment figures for April appear to indicate a strong, expanding economy. The unemployment rate dropped two-tenths to 5.4% in April, seasonally adjusted. Total employment of 1,374,400 was up by 24,100 from the previous month. The number of unemployed fell to 81,700 from 88,900 in March. In addition, nonfarm payroll jobs were up by 9,800 to a level of 1,180,000. On the negative side, the nonfarm employment index dropped, but only by a tenth.

These figures can be taken at face value, leaving you with an optimistic view of the economy. However, a simple analysis of the changes that occurred over just a one month period is not sufficient. Since employment levels fluctuate in response to both business cycle and seasonal changes, the seasonal trend must be eliminated in order to analyze the economic, or real, changes. When April's employment figures are analyzed in this manner, the picture is not quite as rosy as it first appears.

For example, although total nonfarm employment increased in April by what appears to be an impressive 9,800, an increase of 10,100 was expected for this time of year. In other words, April actually recorded a real loss of 300. Employment growth during the first four months of 1989 has been greater than anticipated, with an average of 2,600 jobs added each month after adjusting for normal seasonal trends. But an average of 4,300 new jobs were added each month in 1988. So, compared with 1988, employment thus far in 1989 is growing at a slower pace.

SEASONALLY ADJUSTED UNEMPLOYMENT RATES*

OREGON and THE UNITED STATES: 1980 to 1989



*Civilian Labor Force Only

Another data source that points to a slowing in the economic expansion is the smaller monthly declines in the number of unemployed. There were substantial declines in the number of unemployed during the latter part of 1988 that were beyond seasonal trends. Since that set the stage as a hard act to follow, the declines in 1989 are not as strong relative to 1988. However, it should be noted that the number of unemployed in April (81,700) is the lowest level for that month since 1978. A stagnating economy is also evidenced by the virtually unchanged seasonally adjusted unemployment rate over the last seven months, which ranged from 5.2% to 5.6%. The rate has been 5.4% in three of the last four months.

Comparing this April's figures with last year's is telling as to the structural changes the economy is undergoing. From April 1988 to April 1989, total non-farm employment increased 4.9%. But that increase did not appear in all industries. The accompanying table ranks the major industry groups by rate of employment growth.

Durable goods manufacturing was the only major industry to experience an actual drop in employment over the last twelve months. The decline was largely the result of a significant drop (4,000) in lumber and wood products employment. Striking employees of Roseburg Forest Products Co. account for approximately three quarters of the decline. The strike, which began in January, was settled and ratified by the Western Council of Industrial Workers by a slim margin on May 15. The smaller union, the International Woodworkers of America, did not ratify the contract, but they are scheduled to vote again. An exact date of when all the employees will return to work is not known. Some mills are undergoing modernization and repair, so workers may not be able to return as soon as they expected. The settlement included a 60¢ an hour pay cut with an 11¢ raise beginning in January 1992. The original company proposal called for a $1 an hour wage cut. Also lost are three holidays, overtime pay for Sundays, and a $1,400 signing bonus. Since the employees were not at work during May's survey week, employment figures for the month of May will still report them as labor disputants.

Wage and Salary Employment Growth
April 1988 - April 1989

	Actual Change	Percent Change
Construction	3,900	10.4
Mining and Quarrying	100	7.7
Trade	17,300	6.1
Transp, Comm, & Utilities	3,500	5.9
Services	15,200	5.9
Manufacturing, Nondurables	1,500	2.7
Finance, Insurance, & Real Estate	1,800	2.5
Government	3,900	1.8
Manufacturing, Durables	-400	-0.3

Even with the majority of Roseburg workers returning to their jobs, the industry as a whole is facing very uncertain long-term prospects. The Office of Economic Analysis, Oregon Executive Department, estimates that because of two spotted owl injunctions, timber sales of 1,095 million board feet are under restraint in Oregon on federal lands administered by the U.S. Forest Service or the Bureau of Land Management. The affected timberland is primarily located west of the Cascades. The accompanying table lists the affected National Forests. The total employment impact across all industries could be a loss of approximately 10,000 to 15,000 jobs if the timber harvest declines by 1,095 million board feet. Job losses would be concentrated in timber-dependent communities; urban areas would experience the negative impacts in a more indirect manner. Accompanying the employment declines would be an annual loss of $10 to $20 million in state personal income tax revenues. Counties that receive money from federal timber sales would also suffer since they receive 25% of gross timber harvest receipts from national forest lands and 50% of gross receipts from O&C lands (primarily BLM lands).

Also affecting timber supply is the debate over exporting logs. In 1988, log exports out of Oregon ports increased 45%. The strong demand internationally for Oregon logs is also pushing prices up and cutting into domestic supplies. Exporting logs reduces the number of

RESIDENT OREGON LABOR FORCE

	APR.[1] 1989	MAR.[2] 1989	CHANGE	%CHANGE	APR.[3] 1988
CIVILIAN LABOR FORCE[4]	1,456,100	1,439,200	16,900	1.2	1,392,200
UNEMPLOYMENT	81,700	88,900	-7,200	-8.1	87,100
PERCENT OF LABOR FORCE	5.6	6.2	XXX	XXX	6.3
SEASONALLY ADJUSTED PERCENT	5.4	5.6	XXX	XXX	6.1
TOTAL EMPLOYMENT[4]	1,374,400	1,350,300	24,100	1.8	1,305,100

[1]Preliminary
[2]Revised
[3]Includes employed and unemployed individuals 16 years and older. Data are adjusted for multiple job holding and commuting.
[4]Includes nonagricultural wage and salary, self employed, unpaid family workers, domestics, farm workers, and labor disputants.
[5]Due to revised estimating procedures between December 1988 and January 1989, data for 1989 and that of previous years are not strictly comparable.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT (BY PLACE OF WORK)

INDUSTRY	APR.[1] 1989	MAR.[2] 1989	APR. 1988	CHANGE FROM MAR. 1989	CHANGE FROM APR. 1988
TOTAL[3]	1,180,000	1,170,200	1,133,200	9,800	46,800
WAGE & SALARY EMPLOYMENT INDEX[4]	126.8	126.9	121.8	XXX	XXX
TOTAL MANUFACTURING	209,400	208,500	208,300	900	1,100
DURABLE GOODS	153,200	153,300	153,600	-100	-400
LUMBER & WOOD PRODUCTS	63,800	63,900	67,800	-100	-4,000
LOGGING & SAWMILLS	32,100	32,500	34,300	-400	-2,200
VENEER & PLYWOOD	14,900	14,700	17,700	200	-2,800
MILLWORK & STRUCTURAL WOOD	10,900	10,800	10,000	100	900
MOBILE HOMES	1,800	1,800	1,400	0	400
OTHER WOOD PRODUCTS	4,100	4,100	4,400	0	-300
FURNITURE AND FIXTURES	2,700	2,700	2,700	0	0
STONE, CLAY, GLASS & CONCRETE	4,200	4,100	4,000	100	200
PRIMARY METALS	10,800	10,800	10,000	0	800
BLAST FURNACES, IRON & STEEL	6,400	6,500	5,900	-100	500
NONFERROUS METALS	4,400	4,300	4,100	100	300
FABRICATED METALS	11,900	11,900	10,500	0	1,400
FABRICATED STRUCTURAL METALS	5,500	5,400	4,400	100	1,100
OTHER FABRICATED METALS	6,400	6,500	6,100	-100	300
MACHINERY	18,200	18,100	16,800	100	1,400
ELECTRICAL EQUIPMENT & SUPPLIES	16,100	16,200	14,900	-100	1,200
TRANSPORTATION EQUIPMENT	10,300	10,500	11,000	-200	-700
INSTRUMENTS & RELATED PRODUCTS	11,500	11,500	12,200	0	-700
MISCELLANEOUS MANUFACTURING	3,700	3,600	3,700	100	0
NONDURABLE GOODS	56,200	55,200	54,700	1,000	1,500
FOOD & KINDRED PRODUCTS	21,000	20,200	20,400	800	600
CANNING & PRESERVING	10,000	9,100	9,600	900	400
OTHER FOOD PRODUCTS	11,000	11,100	10,800	100	200
TEXTILE MILL PRODUCTS	1,700	1,600	1,800	100	-100
APPAREL	2,700	2,700	2,600	0	100
PAPER & ALLIED PRODUCTS	8,900	9,000	8,900	-100	0
PRINTING & PUBLISHING	13,600	13,600	13,400	0	200
CHEMICALS & ALLIED PRODUCTS	2,300	2,300	2,200	0	100
PETROLEUM REFINING	600	500	500	100	100
RUBBER & PLASTIC PRODUCTS	4,900	4,800	4,400	100	500
LEATHER PRODUCTS	500	500	500	0	0
TOTAL NONMANUFACTURING	970,600	961,700	924,900	8,900	45,700
MINING & QUARRYING	1,400	1,300	1,300	100	100
CONSTRUCTION	41,400	37,800	37,500	3,600	3,900
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	62,700	62,100	59,200	600	3,500
TRANSPORTATION	40,800	40,500	37,800	300	3,000
RAILROAD	3,900	3,800	3,900	100	0
TRUCKING & WAREHOUSING	22,400	22,300	21,300	100	1,100
OTHER TRANSPORTATION	14,500	14,400	12,600	100	1,900
COMMUNICATIONS	12,800	12,700	12,500	100	300
UTILITIES	9,100	8,900	8,900	200	200
TRADE	299,700	296,500	282,400	3,200	17,300
WHOLESALE TRADE	76,600	76,100	70,200	500	6,400
DURABLE GOODS	45,100	44,700	41,000	400	4,100
NONDURABLE GOODS	31,500	31,400	29,200	100	2,300
RETAIL TRADE	223,100	220,400	212,200	2,700	10,900
GENERAL MERCHANDISE	27,600	27,700	26,800	-100	800
FOOD STORES	38,500	38,000	34,400	500	4,100
AUTO DEALERS & SERVICE STATIONS	27,700	27,500	27,700	200	0
OTHER RETAIL TRADE	129,300	127,200	123,300	2,100	6,000
FINANCE, INSURANCE, & REAL ESTATE	74,700	74,600	72,900	100	1,800
BANKING & CREDIT AGENCIES	23,400	23,500	23,800	-100	-400
OTHER FINANCE, INSURANCE, & REAL ESTATE	51,300	51,100	49,100	200	2,200
SERVICES	272,200	269,900	257,000	2,300	15,200
HOTELS & PERSONAL SERVICES	28,100	27,700	27,700	400	400
HEALTH SERVICES	81,600	81,300	76,600	300	5,000
OTHER SERVICES	162,500	160,900	152,700	1,600	9,800
GOVERNMENT	218,500	219,500	214,600	-1,000	3,900
FEDERAL GOVERNMENT	30,900	30,500	30,400	400	500
STATE GOVERNMENT	60,300	60,700	59,300	-400	1,000
EDUCATION	25,400	25,800	25,300	-400	100
OTHER STATE	34,900	34,900	34,000	0	900
LOCAL GOVERNMENT	127,300	128,300	124,900	-1,000	2,400
EDUCATION	81,600	82,700	80,100	-1,100	1,500
OTHER LOCAL	45,700	45,600	44,800	100	900
LABOR - MANAGEMENT DISPUTES	3,600	3,800	100	-200	3,500

[1]Preliminary
[2]Revised
[3]Includes full and part-time nonfarm wage and salary workers in pay periods including the 12th of the month. Proprietors, self employed, private household workers and armed forces excluded. Note: Estimated in cooperation with the U.S. Bureau of Labor Statistics and Employment and Training Administration. All data are based on the 1972 Standard Industrial Classification (SIC) codes as amended by the 1977 supplement.
[4]Total nonagricultural wage and salary employment, seasonally adjusted, and indexed to 1977. Data on the earlier index (1972 = 100) can be converted to the 1977 base period by multiplying by a factor of .8264, the ratio between 1972's Annual Average Employment (774,300) and that of 1977 (936,900).

National Forests Affected by Injunction
Fiscal Year 1989

	Sales Volume Affected*	Percent of FY89 Target Sales
Deschutes	13.3	6.8
Mt. Hood	141.4	43.1
Rogue River	50.3	27.6
Siskiyou	79.4	43.9
Siuslaw	21.1	6.5
Umpqua	157.1	37.3
Willamette	292.8	34.9
Winema	3.0	1.5

* Million Board Feet

jobs that could be generated in the mills if Oregon were to export more lumber and plywood rather than the raw product.

The sharp April to April decline in lumber and wood products was washed out by increases in fabricated metals (1,400), machinery (1,400), and electrical equipment and supplies (1,200), all of which are in durable goods manufacturing. Although mining and quarrying recorded the second highest employment growth rate (7.7%), it translates into an increase of only 100 jobs.

The construction industry is the big winner in terms of growth rate and actual increase. Employment over the past twelve months increased by 3,900. Although the trade and services industries posted greater increases, construction had the highest growth rate (10.4%). From March to April, construction employment increased by a surprising 3,600. Warmer, drier weather at this time of the year means seasonal increases in construction employment. But according to normal seasonal trends, employment was expected to increase by only 2,100. Within the construction industry, nonresidential building contractors' employment grew by 600 and the heavy construction sector was up by 2,000. The major factors leading to April's strong growth included the refueling and maintenance of Trojan and the construction of oil-related modules. Since construction has shown such strong growth, not just in the last month but in the past couple of years, further analyses of a few significant trends seems appropriate.

The construction industry is very sensitive to demographic changes and interest rate fluctuations. In the early 1980s, Oregon's construction industry was hit extra hard; new home mortgage rates reached an incredible 15.3% and a population net out-migration of 65,000 occurred over a two year period. Construction employment plummeted from a 1979 high of 53,000 to a low of 27,000 in 1983, a decline of nearly 50% in just four years (see graph). Since that time, employment has been steadily recovering, reaching over 41,000 in April 1989, but nowhere near 1979's peak level.

Another factor that dealt a heavy blow to the industry was the rising average wage paid to construction workers in the midst of the recession. Theoretically, wages should drop during a recessionary period since a labor surplus exists. However, the construction industry was heavily unionized and wage schedules were locked in due to multi-year labor agreements. The labor contracts also contained cost of living adjustment clauses that kept wages at high levels since inflation did not drop to a manageable level until 1982. Wages, on average, also rose because workers at the lower end of the pay range (last hired) were the first to be fired during the recession, leaving the most highly-paid workers.

Residential construction in Oregon was strong in both 1987 and 1988. Oregon housing starts were up 11% in 1987 and 18% in 1988, compared with the 10% declines nationally. The rapid population growth that Oregon has recently experienced is a primary explanatory factor. Population increased by 51,000 to 2,741,000 in 1988. This was the largest annual increase since 1979. With population still growing, housing starts in Oregon are anticipated to be 14,770 in 1989, a 14.1% increase over the previous year.

Residential construction is by no means the only sector to see heavy construction activity. The amount of retail space that was built in the Portland area (1.9 million square feet) during 1988 was more than double the amount built the previous year. Even with the new construction, Oregon's retail vacancy rate in the fourth quarter of 1988 was 6.6%, still lower than the year-earlier rate of 7.3%.

The value of new construction in Oregon was also up during 1988, an indication that people are choosing to build more upscale units and that construction inputs, in general, are higher priced. The value of residential construction was up 21%. Even larger increases occurred in the value of additions, repairs and alterations (34%). Nonresidential building recorded the highest increase in construction value of 38%.

Following a very strong year, contractors in the Pacific Northwest have lower expectations for 1989 according to a survey completed by the CIT Group/Industrial Financing Construction Industry Forecast. However, the Pacific Northwest has a more optimistic outlook relative to other regions in the United States. Now that data for the first four months of 1989 are in and reporting a very strong construction industry, it seems that the contractors with lower expectations sold the Oregon economy short. However, if employment figures in the coming months continue to indicate a stagnating economy, it is very likely that construction activity, and thus employment, will decline or at least slow. □

NEW PUBLICATIONS

Jan Cranny

Is Oregon's Future At-Risk? A profile of Oregon's youth... has just been released by Research and Statistics. It provides valuable information to Oregon's educators, legislators, state and local planners, elected officials, state, community and religious leaders, law enforcers, employers, parents and youth. The following excerpt is the preface from the report.

Oregon needs the productive energies of all its youth to ensure continued social and economic progress as we move into the 21st Century. Yet 10 to 15 percent of our 16-19 year-olds are at risk of not successfully making the transition into productive and responsible adulthood. The problems facing our youth are alarming, the issues compelling, and fresh solutions are needed.

The term "at-risk-youth" is now commonplace among researchers, policy makers and educators. The reasons these youth are at risk are many. Child

abuse, poverty, inadequate educational opportunities, substance abuse, lack of meaningful work and recreation, and mental and physical health problems are all familiar indicators of the plight of many young people. These same problems are threatening to devastate the talent and hope of the next generations.

In Oregon, for instance:

- 216,000 Oregonians under the age of 22 are economically disadvantaged.
- Nearly 81,000 Oregonians under the age of 18 in 1987 needed mental health services; that is 11.8% of the youth population.
- Only 71 percent of the freshmen in 1983 graduated with their class four years later; this translates into a dropout rate of 29 percent.
- Oregon high school juniors are using drugs more frequently and at an earlier age than high school seniors, nationally.
- Juveniles accounted for 23.7 percent of all arrests for crimes against persons and property, and behavioral crimes.
- 64 percent of the youth who entered MacLaren School for Boys during the last six months of 1987 were assessed as being chemically dependent.
- Approximately 90 percent of the girls in the Juvenile Corrections' Hillcrest School during 1987 reported being sexually abused at some time prior to their commitment to the training school.
- One out of 13 (over 7,000) teenagers age 15-19 became pregnant, and one out of 22 gave birth in 1987.
- 900 (21%) of the teens giving birth in 1987 already had children.
- Suicide is the second leading cause of death for 15-to-24 year-olds.
- During a six month period in 1988, there were 364 reported suicide attempts in children and adolescents, an average of two per day.

Although any one of these indicators is cause for alarm, the fact that many youth fall into multiple categories is even more troubling.

You are encouraged to use this resource publication to determine what needs to be done to make Oregon the best place for children to grow, learn and thrive.

If you would like a copy of this publication please contact:

Employment Division - R&S
Attn: Perky Collins
875 Union Street NE
Salem, OR 97311
Phone: (503)378-8657
Toll free: 1-800-237-3710
Ext. 8-8657 □

AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS[1]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Mar.[2] 1989	Feb.[3] 1989	Mar. 1988	Mar.[2] 1989	Feb.[3] 1989	Mar. 1988	Mar.[2] 1989	Feb.[3] 1989	Mar. 1988
TOTAL MANUFACTURING[4]	$423.26	$408.50	$417.30	39.3	38.0	39.0	$10.77	$10.75	$10.70
Durable Goods	426.10	408.50	420.40	39.6	38.0	39.4	10.76	10.75	10.67
Lumber & Wood Products	425.23	393.13	419.34	39.3	36.2	38.9	10.82	10.86	10.78
Logging & Sawmills	452.35	406.61	443.52	38.4	34.4	38.4	11.78	11.82	11.55
Veneer & Plywood	425.08	401.83	422.14	40.6	38.6	39.6	10.47	10.41	10.66
Millwork & Structural	361.26	353.96	348.79	40.5	38.6	39.5	8.92	9.17	8.83
Mobile Homes	317.20	306.57	318.92	35.6	33.0	36.2	8.91	9.29	8.81
Other Wood Products	420.16	401.44	407.64	40.4	38.6	39.5	10.40	10.40	10.32
Furniture & Fixtures	320.37	310.23	300.49	35.4	36.2	36.6	9.05	8.57	8.21
Primary Metals	524.36	511.09	505.73	43.3	42.1	41.9	12.11	12.14	12.07
Fabricated Metals	377.57	373.16	380.82	38.1	38.0	39.3	9.91	9.82	9.69
Machinery (Ex Electrical)	448.11	452.35	435.37	41.3	40.9	40.2	10.85	11.06	10.83
Nondurable Goods	413.26	407.74	408.24	38.3	38.0	37.8	10.79	10.73	10.80
Food & Kindred Products	331.20	326.70	325.42	36.0	36.3	35.8	9.20	9.00	9.09
Canning & Preserving	274.17	279.46	272.74	34.4	35.6	34.7	7.97	7.85	7.86
Other Food Products	395.39	381.10	386.65	37.8	37.0	37.0	10.46	10.30	10.45
Textile Mill Products	248.98	230.58	242.90	34.2	32.8	36.2	7.28	7.03	6.71
Apparel	250.04	248.34	229.32	38.0	37.4	36.0	6.58	6.64	6.37
Paper & Allied Products	676.03	679.32	640.42	44.8	44.4	42.3	15.09	15.30	15.14
Printing & Publishing	433.52	424.44	447.86	36.4	36.0	36.8	11.91	11.79	12.17
Construction[4]	526.65	518.61	478.52	35.9	35.4	34.5	14.67	14.65	13.87
Communications & Utilities[5]	525.48	561.50	512.92	39.9	41.5	39.7	13.17	13.53	12.92
Trade[5]	304.98	308.02	288.77	34.0	33.7	33.5	8.97	9.14	8.62
Wholesale Trade	403.77	410.67	379.16	37.7	37.3	37.1	10.71	11.01	10.22
Retail Trade	253.59	254.08	243.46	32.1	31.8	31.7	7.90	7.99	7.68
Banking & Insurance[5]	343.91	346.67	318.26	36.9	37.6	35.8	9.32	9.22	8.89
State & Local Government	377.85	383.72	362.96						

[1]Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.
[2]Preliminary
[3]Revised
[4]Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.
[5]Data for nonsupervisory employees only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.

UNEMPLOYMENT RATES BY STATE - 1988

Jeff Hannum

A few years from now we may look back on 1988 as the 'good ol' days', at least in an economic sense. Despite some problem areas, the nation's economic expansion passed the six year mark last year, led by strong capital spending and a boom in export sales. Even though the economy was beginning to slow in response to tighter monetary policies by the Federal Reserve Board, the demand for workers was stronger than ever. For example, the proportion of the adult population age 16 and over in the labor force (65.9%) and employed (62.3%) both reached record high levels.

. . . Oregon's economic outlook for 1989 and beyond is largely in the hands of federal agencies, Congress, and the courts.

One of the best overall measures of labor market tightness is the unemployment rate. Due to a combination of strong economic growth and demographic changes (i.e. fewer young entry-level workers in the population) the nation's unemployment rate declined by 0.7 to 5.5% in 1988, the lowest rate since 1973. Jobless rates for men (5.5%), women (5.6%), and teenagers (15.3%) also dropped sharply to the lowest levels in many years.

Recent data from the U.S. Bureau of Labor Statistics shows that this improvement was widespread throughout the nation (see table). Unemployment rates for 1988 were lower in 45 states and higher in only 4 states. Large jobless rate disparities, however, continued to exist between regions and individual states, with New Hampshire (2.4%) and Louisiana (10.9%) continuing to represent the two extremes.

States with unemployment rates lower than the national average were concentrated on the East Coast and the central plains. Labor shortages were especially acute in the New England region where unemployment declined to only 3.1%. Higher-than-average rates continued to be in the states heavily engaged in oil, gas, and mineral extraction, as well as the highly industrialized states of the Midwest (see map).

In 1987, Oregon's distinction was not its low unemployment rate, but rather the extent of improvement over the year, falling from 8.5% in 1986 to 6.2% in 1987. No other state experienced such a dramatic improvement that year. In 1988, Oregon's jobless rate dropped by only four-tenths of a point to 5.8%, but this was the lowest state rate in nearly twenty years! Jobless rates for Oregon men (5.9 to 5.6), women (6.5 to 6.1), and teenagers (16.9 to 13.6) all declined over the past year.

Will unemployment rates continue to fall in Oregon and the nation in 1989? If the first three months of the year are a reliable guide, unemployment will average about three-tenths lower both nationally (5.2%) and in Oregon (5.5%) this year.

There are some good reasons, however, to expect a gradually rising unemployment trend (after seasonal adjustments) during the rest of 1989 and into 1990. As mentioned earlier, the Federal Reserve Board adopted a tighter monetary policy last year to slow the economy and control inflation. As a result, interest rates have risen significantly. Monetary policies generally affect the economy after a long lag of at least 6 to 12 months. Therefore, it is quite likely that the full impact of these tight money policies is just beginning to bite into the economy. Recent national economic indicators appear to support this view.

Since Oregon's economy is heavily influenced by national trends, especially rising interest rates, we do expect at the very least a gradual rise in unemployment over the rest of 1989, especially in the more timber-dependent areas of the state. The real key to Oregon's outlook, however, is the availability and cost of timber to domestic mills. Since this won't be known until forest planning, log export, old growth and Spotted Owl protection issues are resolved, Oregon's economic outlook for 1989 and beyond is largely in the hands of federal agencies, Congress, and the courts. □

1988 UNEMPLOYMENT RATES BY STATE

Area	1988 Rank	1986	1987	1987-88 Change
United States		5.5	6.2	-0.7
New Hampshire	1	2.4	2.5	-0.1
Vermont	2	2.8	3.6	-0.8
Connecticut	3	3.0	3.3	-0.3
Rhode Island	4	3.1	3.8	-0.7
Hawaii	5	3.2	3.8	-0.6
Delaware	5	3.2	3.2	0.0
Massachusetts	7	3.3	3.2	0.1
Nebraska	8	3.6	4.9	-1.3
South Carolina	8	3.6	4.5	-0.9
Maine	10	3.8	4.4	-0.6
New Jersey	10	3.8	4.0	-0.2
Virginia	12	3.9	4.2	-0.3
South Dakota	12	3.9	4.2	-0.3
Minnesota	14	4.0	5.4	-1.4
New York	15	4.2	4.9	-0.7
Arizona	16	4.3	6.1	-1.8
Maryland	17	4.4	4.3	0.1
North Carolina	17	4.4	5.5	-1.1
Iowa	17	4.5	5.5	-1.0
Kansas	20	4.8	4.9	-0.1
North Dakota	20	4.8	5.2	-0.4
Utah	22	4.9	6.4	-1.5
Florida	23	5.0	5.3	-0.3
Pennsylvania	24	5.1	5.7	-0.6
Nevada	25	5.2	6.3	-1.1
California	26	5.3	5.8	-0.5
Indiana	27	5.3	6.4	-1.1
Missouri	28	5.7	6.3	-0.6
Idaho	29	5.8	8.0	-2.2
Oregon	29	5.8	6.2	-0.4
Tennessee	29	5.8	6.6	-0.8
Georgia	29	5.8	6.5	-0.7
Ohio	33	6.0	7.0	-1.0
Wisconsin	34	6.2	7.6	-1.4
Alabama	35	6.3	6.2	0.1
Wyoming	35	6.3	8.6	-2.3
Colorado	37	6.4	7.5	-1.1
Virginia	38	6.7	7.4	-0.7
Michigan	39	6.8	7.4	-0.6
Illinois	39	6.8	7.4	-0.6
Arkansas	41	7.2	7.8	-0.6
Texas	42	7.3	8.4	-1.1
Michigan	43	7.5	8.2	-0.6
Kentucky	44	7.7	8.1	-0.4
New Mexico	45	7.8	8.9	-1.1
Louisiana	46	7.9	8.8	-0.9
Mississippi	47	8.4	10.2	-1.8
Alaska	48	9.3	10.8	-1.5
West Virginia	49	9.9	10.8	-0.9
Louisiana	50	10.9	12.0	-1.1

Unemployment Rates by State, 1988 Annual Averages

MINIMUM WAGE CHANGE COMES TO OREGON?

Tom Lynch

A bill has been introduced in the Oregon legislature which would raise the state's current minimum hourly wage rate by more than 40 percent over the next three years. These proposed changes would affect approximately six percent of the wage and salary employment in the state. The new legislation (Senate Bill 335) would significantly alter the current minimum wage law in Oregon. Some of the major changes would be:

- Add coverage of agricultural workers with some exemptions for students who are 16 years old or younger. The exemptions would allow the employer to pay the student at less than the established minimum hourly rate. However, the exempted student would have to be paid the same piece rate as the workers who are over 16 years old.
- Define subject agricultural employers as those who had 500 piece rate work days in any quarter of the previous year. A "piece rate" workday would be defined as having worked at least one hour for the established piece rate standard during any one day by one worker.
- Eliminate the "training wage" provision of the current law.
- Raise the current minimum wage of $3.35 per hour in three annual adjustments to $3.75, $4.25 and $4.75 per hour effective July 1 of 1989, 1990, and 1991. Biennial adjustments after 1991 would be indexed to 50 percent of the average annual weekly wage as determined by the Oregon Employment Division. The average weekly wage would be divided by forty hours to derive the comparable total average hourly wage rate.

In 1987, nearly twice as many women as men earned the minimum wage or less.

The discussions that occurred in the Oregon Senate on this proposed piece of legislation centered on the direct economic impacts of the wage changes specified in the bill. These debates ranged from raising the purchasing power of workers in lower wage jobs to job losses created by increasing employer costs to the potential of product price increases. These debates were usually based upon the assumption that raising the minimum wage leads to significant job losses, product price increases, and business closures.

One of the first major issues discussed was the characteristics of the people who are currently working at or below the current minimum wage level of $3.35 per hour. From studies that have been done on this question the following profile of minimum wage workers emerges at the national level.

AGE
Over half (57.2%) were young people under 25 years of age. Teenagers (age 16-19) accounted for 36.3% of minimum wage workers.

SEX
In 1987, nearly twice as many women as men earned the minimum wage or less. Women accounted for 65% of all minimum wage workers.

RACE-ETHNIC GROUP
Nearly one-fourth of all minimum wage workers were either Black (14.3%) or Hispanic (8.9%).

FULL OR PART-TIME
Two-thirds of those earning $3.35 or less worked part-time (i.e. less than 35 hours per week).

GEOGRAPHIC DISTRIBUTION
Minimum wage workers were much more likely to live in the South (41%) or the Midwest (28.6%). Only 14.4% lived in the Northeast region, while 16.1% lived in the West.

OCCUPATION
Over half (52.5%) of all minimum wage workers were employed in service occupations. Sales and administrative support (including clerical) occupations also employed a relatively large share (22.7%).

INDUSTRY
Nine out of ten (88.5%) minimum wage workers were employed in service-producing industries. One industry, retail trade, employed over half (51.4%) of all minimum wage workers.

EDUCATION
Years of school completed and wage levels were strongly related. Over 80% of all minimum wage workers had either completed no more than four years of high school (45.7%) or had not yet finished high school (34.7%).

With some minor variations, most of these characteristics of minimum wage workers would be applicable to the Oregon workforce. This conclusion was reached after analyzing labor force information that was available to the Employment Division.

The second major question that came up in the analysis of this legislation was the potential unemployment that would be created if the minimum wage was increased in Oregon. A review was conducted of several minimum wage studies to attempt to answer this question. The minimum wage studies were segregated into two separate groups based upon the time period in which they were completed. Most of the minimum wage studies completed during the 1970s suggested that a 10 percent increase in the minimum wage would reduce teenage (16-19 years old) employment by 1 to 3 percent. If these factors are applied to the estimated 87,750 teenagers in Oregon's 1987 workforce, the job loss would range between 880 and 2,630 for teenagers. However, these minimum wage changes will also affect the employment opportunities for young adults (20-24 years old) in Oregon. Using information from these studies conducted in the 1970s shows that for this group a 10 percent increase in the minimum wage would reduce employment by one-quarter to one-half of one percent. Applying these factors to Oregon's 1987 young adult workforce estimate of 157,380 would produce job losses of 390 to 790. Combining the two age groups would produce an estimated job loss of between 1,270 and 3,420 for every 10 percent increase in the minimum wage.

Over 80% of all minimum wage workers had either completed no more than four years of high school (45.7%) or had not yet finished high school (34.7%).

The second set of minimum wage studies used to analyze the impact of minimum wage changes in Oregon were those that were conducted using information developed during the 1980s. These studies estimated that a 10 percent increase in the minimum wage would reduce teenage employment by approximately one percent and about one-fourth of one percent for young adults. These new factors, if applied to the two workforce estimates mentioned previously, would produce job losses of 1,270 for every 10 percent increase in the minimum wage.

The questions that remained after these analyses were completed were:

- What factors were creating the differences between the job loss esti-

mates developed for Oregon using the data from the two groups of minimum wage studies?

- What other possible local sources of information could be used to select which set of factors to use in estimating the job losses created by the proposed changes in Oregon s minimum wage by Senate Bill 335?

The answers to the first question involve understanding the different economic and labor force environments which existed in the 1960s and 1970s versus those that persisted throughout the 1980s. During the 1960s and 1970s the labor markets were driven by a surging workforce which was filled by large numbers of young people and females entering the workforce for the first time. Although the state and national economies were growing rapidly, this growth was not strong enough to absorb all of the new entrants to the labor market. This created a situation throughout this twenty year period where there was a tremendous surplus of labor available for the new jobs that were being created by the economic growth. The 1980s brought a complete reversal in this pattern of labor force growth. Due to a decline in birth rates in the 1960s and early 1970s and the slowing down in the rate with which women entered the workforce in the 1980s, the supply of labor began to decline for the new minimum wage jobs which were being generated by the economy. This change in the labor force demand/supply for these minimum wage jobs caused shortages of applicants to develop which has caused wages to rise for many of the jobs which had previously paid the minimum wage. In some areas of the United States, some of the wages for these jobs have risen to the $5-$6 per hour range.

Since the proposed changes would increase Oregon's minimum wage by 42 percent between 1989 and 1991, job losses for youth could be expected to be approximately 4 percent or 3,510 jobs.

The second question above required the identification of an alternate local data source which would support using the results of one of the two minimum wage group studies to estimate the employment impacts of the proposed minimum wage law changes in Oregon. The independent data source chosen for this analysis was the job orders arrayed by wage listed with the Oregon Employment Division between 1984 and 1988. These job orders were compared both for the absolute number listed by hourly wage and the percentage these groups made up of the total number of job orders. The comparisons showed that in 1984 the Employment Division registered 13,509 job orders paying $3.35 per hour. This represented 19.4% of the 69,698 jobs which were listed during that year. In contrast, the Employment Division registered 11,791 job orders paying $3.35 per hour in 1988 which comprised only 10.5% of the 112,173 job orders taken during that year. The analysis of the job orders over this five year period shows both an absolute reduction (-1,718) in the number and a decline in the percentage of job orders (-8.9 percentage points) that pay $3.35 per hour. The trends identified in this data source led to the selection of the minimum wage studies completed in the 1980s to estimate the job loss which would be created by the current changes being considered by the Oregon legislature in the minimum hourly wage.

The final act in this article is to apply the selected factors from the 1980s minimum wage studies to estimate the total impact of these proposed changes in Oregon over the three year period. Since the proposed changes would increase Oregon's minimum wage by 42 percent between 1989 and 1991, job losses for youth could be expected to be approximately 4 percent or 3,510 jobs. The same analysis applied to young adults would cause a job loss of 1 percent or about 1,570 jobs. This represents a combined total job loss estimate of almost 5,100 jobs over the three year period if the proposed minimum wage legislation becomes law.

Although other modifications will probably be made to the current proposal in the legislature, there is sufficient support to assume that Oregon's minimum wage will rise in the next two or three years. Similar legislation to raise the federal minimum wage (currently $3.35) is also being considered in the U.S. Congress. This article has focused only on the proposed increase in the State minimum wage.

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